

Message Text

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ACTION AID-59

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E.O. 11652: N/A

TAGS: EAID, CE

SUBJ: REQUEST FOR BILATERAL ASSISTANCE - SRI LANKA UREA PROJECT

REF: STATE 165369

1. ACTION REQUESTED PARA 5 REFTEL COMPLETED BY CONSULTING SIX OTHER BILATERAL DONORS PLUS TWO LOCAL REPRESENTATIVES OF OBSERVERS AT LAST PARIS CONSORTIUM MEETING. FIVE DONOR REPRESENTATIVES REPORTED NO REACTION YET FROM THEIR GOVTS. CANADIAN INDICATED NEGATIVE DECISION REACHED AND CONVEYED TO GSL AS "NO CAPABILITY TO ASSIST". WEST GERMAN REP, WHO ALSO INDICATED NO RESPONSE YET, HAS HAD INFORMAL INDICATIONS HIS FAVORABLE RECOMMENDATION STILL BEING CONSIDERED. HE TERMED HIS FAVORABLE ANALYSIS NON-TECHNICAL AND BASED ON IMPLICATIONS FOR AGRICULTURE AND IMPORT SUBSTITUTION.

2. ITALIAN AND INDIAN REPS OF OBSERVER NATIONS BOTH INDICATED INTEREST. NO OFFICIAL REPLY FROM ROME BUT UNOFFICIAL INQUIRY RECEIVED FROM SOUTH ASIAN OFFICE SNAM PROJETTI (ASSOCIATES OF ENI) PREVIOUSLY INVOLVED IN BUILDING "PETROLEUM PLANT". ASSUMED THEIR INTEREST IN CONSTRUCTING UREA PLANT AND
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LIKELY THEY WOULD BE URGING ITALIAN GOVT RESPOND

FAVORABLE. INDIAN REP SAID INDIA DEFINITELY INTERESTED IN PROJECT AND COULD VIRTUALLY GUARANTEE MARKET FOR MINIMUM 100,000 TONS UREA PER ANNUM. INDIAN GOVT ALSO VIEWS UREA PRODUCTION POTENTIALLY USEFUL IN REDUCING SRI LANKA/INDIAN TRADE GAP.

3. PER PARA 5, US "TENTATIVELY NEGATIVE REACTION" AND REASONS THEREFOR CONVEYED TO OTHER AID DONORS. NO OBJECTIONS RAISED RE JUDGMENT THAT INVESTMENT (BOTH DOLLARS AND RUPEES) RATED LOW PRIORITY BECUASE OF LONG GESTATION OR THAT GSL RELIANCE ON IMPORTS OF NAPTHA WOULD BE RISKY. ASSUMPTION THAT FOREIGN EXCHANGE INVESTMENT WOULD PROBABLY BE DRAWN-DOWN FROM ALREADY COMMITTED ANNUAL LEVELS OF AID WAS NOT QUESTIONED.

4. THERE WERE SEVERAL SUGGESTIONS THAT DELAYS IN RESPONDING TO GSL REQUEST FOR ASSISTANCE ARE ATTRIBUTED TO CIRCULAR PROCESS, I.E., SOLICITED DONOR GOVTS WAITING FOR FIRM ADB DECISION WHICH IS AWAITING GSL SUMMARY OF AID DONOR DECISIONS. TO DATE GSL HAS NOT HAD ANY FIRM OFFER OF ASSISTANCE AND HAS HAD ONLY ONE NEGATIVE RESPONSE.

5. MISSION IN GENERAL AGREES WITH ANALYSIS IN PARAS 2 AND 4 REFTEL. WHILE PROSPECTS FOR FOREIGN SALES, ESPECIALLY TO INDIA, MAY BE GOOD IF INDIAN REPS INFO IS CORRECT, ALL OTHER RESERVATIONS APPEAR SOUND. WE DO NOT, HOWEVER, WISH TO RULE OUT POSSIBILITY OF US ASSISTANCE TO UREA PROJECT AND THEREFORE WOULD PREFER NOT TO CONVEY WASHINGTONS TENTATIVELY NEGATIVE REACTION TO GSL AT THIS STAGE PENDING FURTHER CONSIDERATION OF GENERAL US AID SITUATION.
VAN HOLLEN

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